



U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of Swap Dealer
and
Intermediary Oversight

Gary Barnett
Director

CFTC Letter No. 12-24
No-Action
September 24, 2012
Division of Swap Dealer and Intermediary Oversight

Re: Section 4m(1) – Request for CPO Registration Relief

Dear :

This is in response to your letter dated April 23, 2012, to the Division of Swap Dealer and Intermediary Oversight (the “Division”) of the Commodity Futures Trading Commission (the “Commission” or “CFTC”), as supplemented by the email messages of your associate, “A”, sent July 11, 2012 and July 27, 2012 (collectively, the “correspondence”). By the correspondence, you seek relief on behalf of “B” from the requirement to register with the Commission as a commodity pool operator (“CPO”) under Section 4m(1) of the Commodity Exchange Act (the “Act”)¹ in connection with serving as the general partner of the “Pool”, such that “C” may serve as the Pool’s CPO instead.

Based upon representations made in the correspondence, we understand the pertinent facts to be as follows: The Pool is organized as a limited partnership. While “B” is the Pool’s general partner, “B” has delegated investment management authority to “C”, the Pool’s investment manager. “B” is making this request for the purpose of avoiding the duplicative requirements that would otherwise be imposed by the registration² of multiple affiliated entities with the Commission as CPOs.³

¹ 7 U.S.C. §6m(1) (2006). The Commission’s regulations are found at 17 CFR Part 1 *et seq.* (2012). Both the Act and the Commission’s regulations may be accessed through the Commission’s Web site at <http://www.cftc.gov>.

² “B” previously relied on an exemption from registration as a CPO pursuant to Regulation 4.13(a)(3) with respect to the Pool, but in the future it may not meet the requirements of the exemption with respect to the Pool.

³ “C” intends to register as a CPO with the Commission by December 31, 2012, with respect to at least one other affiliated commodity pool. Additionally, “C” is currently registered as a commodity trading advisor with the Commission.

In support of your request you represent that:

1. “B” and “C” are under common ownership⁴ and control.
2. Pursuant to the Pool’s limited partnership agreement, “B” has appointed “C” as the investment manager to the Pool, to perform all investment management functions with respect to the Pool. “B” does not engage in the solicitation of investors for the Pool, nor does it manage any property of the Pool.
3. “C” is currently registered as a commodity trading advisor with the Commission and will register as a CPO with the Commission by December 31, 2012.
4. The books and records of “B” are maintained at the main business office of “C”.
5. “B” has no employees or other persons acting on its behalf and it does not engage in any other activities that are subject to the Act or the Commission’s regulations.
6. “B” is not subject to a statutory disqualification under Section 8a(2) or 8a(3) of the Act.

In further support of your request, you represent that “B” and “C” will execute an agreement by which they each undertake to be jointly and severally liable for any violation of the Act or Commission regulations committed by “B” or “C” in connection with the operation of the Pool.

Based on the foregoing, and consistent with prior practice in this area,⁵ the Division will not recommend that the Commission commence any enforcement action against “B” for failure to register as a CPO under Section 4m(1) of the Act in connection with serving as the general partner of the Pool. This position is, however, subject to the conditions that: (1) “C” serves as the CPO of the Pool; (2) “C” becomes and remains registered as a CPO; and (3) on or before the effective date of “C’s” registration as a CPO, “B” and “C” execute an agreement by which they each undertake to be jointly and severally liable for any violation of the Act or the Commission’s regulations committed by “B” or “C” in connection with the operation of the Pool.

The relief issued by this letter does not excuse “B” from compliance with any other applicable requirements contained in the Act or in the Commission’s regulations. For example, “B” remains subject to all antifraud provisions of the Act⁶ and the Commission’s regulations, as

⁴ “C” is owned by a number of individuals and entities. “C” owns 99% of “B”; the remaining 1% is owned by its Managing member and two other individuals.

⁵ See, e.g., CFTC Staff Letter 11-01 (Mar. 22, 2011), CFTC Staff Letter 10-33 (Sept. 21, 2010) and CFTC Staff Letter 10-19 (May 5, 2010), which may be accessed on the Commission’s Web site.

⁶ See, e.g., Sections 4b and 4o, 7 U.S.C. §§6b and 6o.

well as the reporting requirements for traders in the Commission's regulations, and all applicable provisions of Part 4, including Regulations 4.20 and 4.41.

This letter, and the position taken herein, are based upon the representations made to us and are subject to compliance with the conditions stated above. Any different, changed or omitted material facts or circumstances might render this letter void. In this regard, you must notify the Division immediately in the event that the operations or activities of "B", "C" or the Pool change in any material respect from those represented to us. Further, this letter and the position taken herein represent the views of this Division only, and do not necessarily represent the views of the Commission or of any other office or division of the Commission.

If you have any further questions concerning this correspondence, please contact Israel J. Goodman, an attorney on my staff, at (202) 418-6715.

Very truly yours,

Gary Barnett
Director